

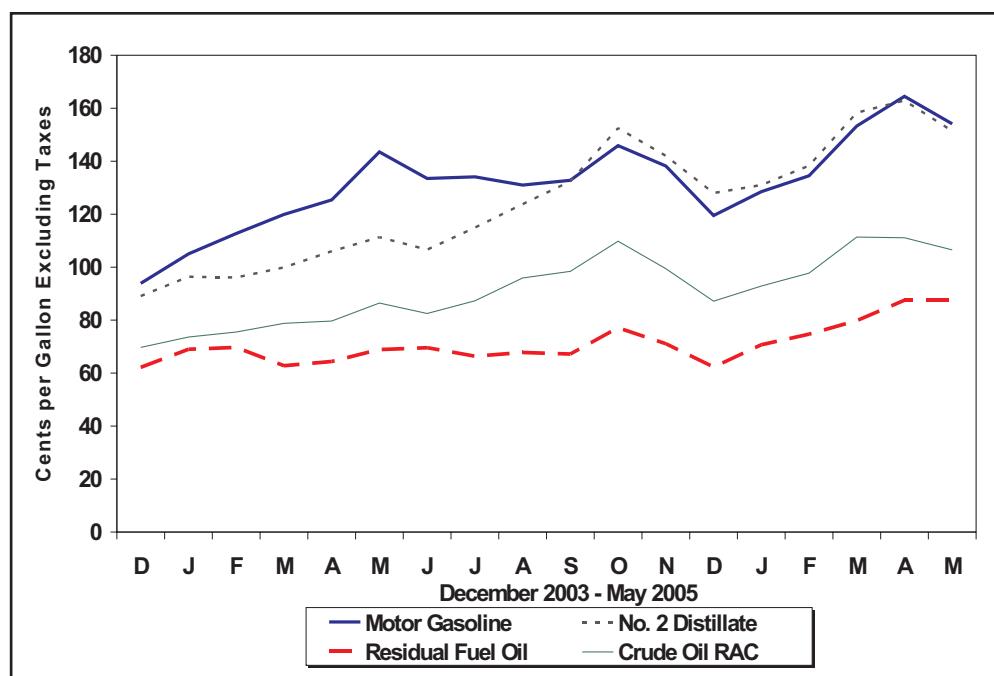
Highlights

Prices for many key international crude oil streams declined during May. Growing stocks in major consuming markets, high production rates from Organization of Petroleum Exporting Countries (OPEC), and price structures in futures markets all contributed to the downturn in prices. A heavy slate of scheduled refinery maintenance in Europe during May helped to soften prices, due to the accompanying reduction in oil throughput. Monthly lows for many streams were registered at mid-May when the president of OPEC stated members would maximize oil production through the end of June. The intent behind the increase was to build inventories prior to the fourth quarter of the year, when oil demand is typically high. Estimates place OPEC production in the 29.7-million-barrels-per-day range, marking a 25-year high. The group meets on June 15 in Vienna, Austria, when production quotas will be reviewed. Oil values were also affected by many benchmark prices going into contango, a condition where prices are higher for later delivery months than for more immediate delivery months. This market situation encourages stock building, which in turn can saturate storage facilities and moderate prices. In particular, rising crude oil inventories in the U.S. helped to dampen prices during much of May. In contrast to the downward trend seen earlier in May, world oil prices were underpinned by an unexpected drop in U. S. stocks during the latter part of the month. Prices were also affected by technical factors and prices for refined products, particularly distillates in key consuming markets.

Prices for crude oil and refined products in the United States were still moderately unsettled during May, but registered declines for the month overall. A number of reasons contributed to

the decreases, including rising imports, inventory levels, and refinery utilization rates. Crude oil stocks rose during May, with inventories reported to have reached six-year highs at mid-month. Plentiful imports and pricing structures encouraged purchases for storage. However, crude oil prices rose during the latter part of the month following an unexpected report of a decline in stocks. Gasoline prices also showed decreases, thanks to market sentiment that inventories were at adequate levels going into the driving season and to comparatively slow demand for the product. More, specifically, year-to-year data suggest gasoline demand rose less than 1 percent from this time last year, continuing the trend seen during the past several months. In contrast, distillate prices remained relatively robust although they too experienced a drop during the first half of the month. Notably, they remained at a premium to gasoline prices at a time when gasoline prices are typically higher than distillate

Figure HL1. Crude Oil and Petroleum Product Wholesale Prices



Sources: Energy Information Administration. Crude oil refiner acquisition cost: Form EIA-14, "Refiners' Monthly Cost Report"; petroleum product prices: Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

Crude Oil

The daily spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma, proved to be somewhat restive during May. Opening at \$49.20 per barrel, the price experienced modest increases during the first ten days of the month, then turned to a downward path as the market reacted to news of continuing growth in stocks. Following the release of an inventory report showing crude oil stocks at their highest level in six years, the price dropped to the month's low of \$46.99 per barrel on May 18. After that point it continued to rise through the end of the month, supported by climbing gasoline prices prior to the Memorial Day weekend. Closing May at \$52.01 per barrel, the price was \$2.81 above the month's opening level.

- Monthly average crude oil prices fell in May. The average domestic crude oil first purchase price saw the largest decrease, falling \$3.20 (6.8 percent) to \$44.03 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil declined \$1.55 (3.5 percent), to \$42.30 per barrel. The average landed cost of foreign crude oil fell \$2.18 (4.8 percent), to \$43.02 per barrel.
- The average refiner acquisition cost for domestic crude oil decreased \$1.83 (3.7 percent), to \$47.81 per barrel. The average cost of imported crude oil to U.S. refiners fell \$2.06 (4.6 percent), to \$43.12 per barrel, while the composite refiner acquisition cost for crude oil declined \$1.93 (4.1 percent), to \$44.74 per barrel.

• Monthly average gasoline prices fell in all categories of sales in May. The average price for retail sales of motor gasoline by refiners declined 8.9 cents to \$1.712 per gallon, while the average wholesale price decreased 10.4 cents to \$1.541 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets fell 9.8 cents to \$1.701 per gallon. The average wholesale price for gasoline dropped 10.2 cents to \$1.541 per gallon. The average dealer tank wagon (DTW) price decreased 8.7 cents to \$1.634 per gallon, while the average rack price fell 11.4 cents to \$1.518 per gallon. The average bulk sale price declined 8.5 cents to \$1.451 per gallon. Reformulated gasoline prices were 12.7 cents more than conventional gasoline prices at retail, and 10.3 cents more at wholesale. Oxygenated gasoline prices were 3.4 cents lower than conventional gasoline prices at retail, but 1.1 cents higher at wholesale.

• Refiner sales of motor gasoline rose again during May. Total sales increased 6.6 million gallons per day (1.7 percent) to an average of 394.0 million gallons per day. Retail sales inched up 300,000 gallons per day (0.5 percent), while wholesales increased 6.3 million gallons per day (1.9 percent). Rack sales accounted for 68.4 percent of wholesales, while DTW and bulk sales made up 15.5 percent and 16.1 percent, respectively. Reformulated gasoline represented 32.1 percent of total motor gasoline sales, while oxygenated gasoline made up 2.6 percent of sales.

Petroleum Products

Motor Gasoline

The daily spot price for regular gasoline at New York Harbor was comparatively quiet during May. In general, the price eased from the levels seen during April, thanks in part to solid inventory levels. Opening at \$1.374 per gallon, the price followed the price for WTI crude oil during the first half of May, rising modestly early in the month, then declining through mid-month. The low was reached on May 23 when the price reached \$1.327 per gallon. The price rose during the last week of the month, closing May at \$1.411 per gallon, 3.7 cents above its opening level.

No. 2 Distillate

The May daily spot price for No. 2 heating oil at New York Harbor dropped from the high levels seen during April, though it remained vigorous for this time of year. After opening at \$1.414 per gallon, the price immediately moved to its high of \$1.460 per gallon on May 2. Following that, the price showed little change during the next ten days of the month. Due mostly to rising inventories, the price eased during the middle of the month, falling to its low of \$1.357 per gallon on May 18. Increasing during the final week of the month, it closed May at \$1.453 per gallon, 3.9 cents above its opening level.

- Monthly average prices for No. 2 distillates declined in May. The national average residential sales price fell 5.1 cents to \$1.906 per gallon. The average wholesale price declined 11.0 cents to \$1.522 per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets fell 8.6 cents, while the

average wholesale price for No. 2 diesel fuel dropped 11.4 cents. The spread between low- and high-sulfur diesel fuel prices was 8.5 cents at retail and 6.5 cents at wholesale.

- Refiners sales of No. 2 distillates were mixed in May. Total sales rose 500,000 gallons per day (0.3 percent), to 156.4 million gallons per day. Sales of No. 2 fuel oil declined 1.5 million gallons per day (7.9 percent), while sales of No. 2 diesel fuel increased 2.0 million gallons per day (1.5 percent). Low-sulfur diesel fuel made up 84.5 percent of all refiner diesel fuel sales, and 75.0 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Monthly average residual fuel oil price trends were mixed in May. Refiner prices for low-sulfur residual fuel oil increased 5.6 cents to \$1.090 cents per gallon at retail, but fell 7.9 cents to 92.0 cents per gallon at wholesale. The average refiner retail price for high-sulfur residual fuel oil rose 5.1 cents to 98.4 cents per gallon, while the wholesale price climbed 6.6 cents, to 85.2 cents per gallon. Including data reported by a sample of residual fuel oil marketers, average prices for low-sulfur residual fuel oil rose 2.2 cents to \$1.054 cents per gallon at retail, but declined 3.6 cents to 92.9 cents per gallon at wholesale. The retail price for high-sulfur residual fuel oil climbed 3.7 cents to 96.9 cents per gallon, while the wholesale price increased 4.9 cents to 87.2 cents per gallon.

- Refiner sales of residual fuel oil fell in May. Total sales dropped 1.4 million gallons per day (9.5 percent). Low-sulfur residual fuel oil sales declined 1.0 million gallons per day (17.5 percent), while high-sulfur residual fuel oil sales decreased 400,000 gallons per day (4.4 percent).

Other Products

- For the most part, prices for the other surveyed products decreased in May. Refiner prices for propane rose 1.2 cents per gallon at retail, but fell 4.0 cents per gallon at wholesale. Including data from a sample of propane marketers, the average residential propane price increased 1.1 cents per gallon, while the average retail price dropped 1.3 cent per gallon. The average wholesale propane price declined 3.8 cents per gallon. Prices for kerosene-type jet fuel, aviation gasoline, and No. 1 distillate decreased at both retail and wholesale. The wholesale price for kerosene also fell in May.
- Refiner sales of these products mostly fell during May. Sales of propane and No. 1 distillate declined at both the retail and wholesale levels during May. Sales of kerosene-type jet fuel and aviation gasoline fell at retail but increased at wholesale. Sales of kerosene were marked by a decline at the wholesale level.